

Small Business Provisions in the Latest COVID Relief Package

The most recent coronavirus relief legislation—signed into law on December 27, 2020—includes several provisions to provide additional assistance to small businesses that are struggling as a result of the pandemic. These include updates to the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) program, small business loan relief and a new grant program for shuttered venues.

Paycheck Protection Program

The PPP is open through March 31, 2020 for first- and second-draw loans through any existing Small Business Administration (SBA) 7(a) lender or federally insured depository institution, federally insured credit union, eligible non-bank lender or Farm Credit System institution that is participating in PPP.

Eligibility – Small businesses with 500 or fewer employees—including nonprofits, sole proprietorships, veterans organizations, independent contractors and self-employed individuals—can apply for First Draw loans.

Second Draw loans are available to borrowers who previously received a PPP loan and will or has used the full amount for authorized uses. Second Draw borrowers must have 300 employees or fewer and demonstrate at least a 25 percent reduction in gross receipts between comparable quarters in 2019 and 2020. For most borrowers, the maximum loan amount of a Second Draw PPP loan is 2.5 times the average monthly 2019 or 2020 payroll costs up to \$2 million.

Reapplying and Loan Increases – Existing PPP borrowers that did not receive loan forgiveness by December 27, 2020 may reapply for a First Draw PPP loan if they previously returned some or all of their First Draw PPP loan funds, or request to modify their First Draw PPP loan amount if they previously did not accept the full amount for which they are eligible.

Forgiveness Terms – First and Second Draw PPP loans made to eligible borrowers qualify for full forgiveness if during the eight- to 24-week period following loan disbursement:

- Employee and compensation levels are maintained;
- Loan proceeds are spent on payroll costs and other eligible expenses; and
- At least 60 percent of the proceeds are spent on payroll costs.

Targeted EIDL Advance

New, targeted EIDL advances of up to \$10,000 will be available to EIDL applicants located in low-income communities who previously received an EIDL advance for less than \$10,000, or those who applied but received no funds due to lack of available program funding. SBA will reach out directly to those who qualify.

Eligibility – Applicants may qualify if they are located in a low-income community as defined by the Internal Revenue Code and can demonstrate more than a 30 percent reduction in revenue during any eight-week period beginning on March 2, 2020, or later.

Debt Relief Assistance

The CARES Act authorized the SBA to pay six months of principal, interest and any associated fees that borrowers owe for all 7(a), 504 and Microloans reported in regular servicing status. The latest coronavirus relief package revised the eligibility criteria for assistance to include all 7(a), 504 and Microloans approved up to September 27, 2020, even if not fully disbursed.

Borrowers do not need to apply for this assistance. SBA provides it automatically as provided below:

- For loans not on deferment, SBA will make monthly payments based on the next payment due on eligible loans for a total amount equal to no more than six months of regular installment payments.
- For loans currently on deferment, SBA will begin making monthly payments with the first payment due after the deferment period ends for a total amount equal to no more than six months of regular installment payments.

Shuttered Venue Operators Grant Program

The Shuttered Venue Operators Grant Program will provide \$15 billion in grants to shuttered venues, administered by the SBA's Office of Disaster Assistance. SBA is still in the process of setting up this grant program and is not yet accepting applications.

Eligibility – Eligible entities include live venue operators or promoters, theatrical producers, live performing arts organization operators, relevant museum operators, zoos and aquariums who meet specific criteria, motion picture theater operators and talent representatives. The shuttered venue must have been in operation as of February 29, 2020, and the venue or promoter must not have received a PPP loan on or after December 27, 2020.

Grant Amount – For an eligible entity in operation on January 1, 2019, grants will be for an amount equal to 45 percent of their 2019 gross earned revenue or \$10 million, whichever is less. For an eligible entity that began operation after January 1, 2019, grants will be for the average monthly gross revenue for each full month you were in operation during 2019 multiplied by six, or \$10 million, whichever is less.

Use of Funds – Funds under this grant program may be used for expenses such as payroll costs, rent and utility payments, scheduled debt and mortgage payments, worker protection expenditures, administrative costs, state and local taxes and fees, payments to independent contractors and insurance payments.